

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SALT RIVER ELECTRIC	)	
COOPERATIVE CORPORATION TO ADJUST	)	CASE NO. 92-560
ELECTRIC RATES	)	

O R D E R

IT IS ORDERED that Salt River Electric Cooperative Corporation ("Salt River") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than April 7, 1993.

1. Exhibit D of the Application is a schedule of long-term debt as of test-year-end. Included on page 2 of 2 of that exhibit is an amount for marketing loans from East Kentucky Power Cooperative, Inc. ("East Kentucky"). Provide the following information concerning these marketing loans:

a. Explain in detail the purpose of these loans. Identify the specific marketing activities associated with these loans.

b. Describe all the terms and conditions of the loans.

c. Identify the case number of the proceeding where the Commission approved these loans. If Commission approval was not sought for these loans, explain in detail why such approval was not sought as required by KRS 278.300.

d. Prepare an itemized list of the use(s) of the proceeds of these loans. Include the account charged for each item.

2. Provide a copy of the union labor contract in effect as of test-year-end. If that contract has been replaced since November 30, 1992, prepare a summary which describes changes between the current and test-year-end contracts.

3. Exhibit 3, pages 5 and 6 of 48 of the Application, includes a schedule of test-year wage rate changes. For each of the employees referenced below, explain the justification for the level of wage increase:

a. Employee No. 12, wage increase effective February 24, 1992.

b. Employee No. 20, wage increase effective June 1, 1992.

c. Employee No. 21, wage increase effective June 1, 1992.

d. Employee No. 22, wage increase effective September 21, 1992.

e. Employee No. 80, wage increase effective July 27, 1992.

f. Employee No. 128, wage increase effective September 21, 1992.

4. Exhibit 3, page 5 of 48 of the Application, appears to show that Employee No. 127 did not receive a wage increase during the test year. Explain why this employee did not receive a wage increase.

5. Provide a copy of Salt River's most recent wage and salary study.

6. Exhibit 3, page 6 of 48 of the Application, at lines 108 and 109, references an employee performance appraisal as the basis for the salaried employees' test-year wage increases. Provide a copy of the employee appraisal form, the guidelines in effect during the test year, and description of the evaluation process.

7. Exhibit 3, page 7 of 48 of the Application, contains an analysis of wages and salaries for the test year and the 3 previous calendar years. For each of the categories listed below, explain in detail the reason(s) for changes noted on this analysis:

a. Increase for 1991, Distribution Expense.

b. Increase for test year, Customer Service and Information Expense.

c. Increase for test year, Sales Expense.

d. Increases for 1990 and 1991, Administrative and General.

e. Decrease for 1990 and increase for 1991, Injuries and Damages.

f. Decrease for 1991 and increase for test year, Employees Hospitalization and Benefits.

g. Increases for 1990 and 1991, Miscellaneous General.

h. Increase for 1991, Overtime Wages.

8. Exhibit 3, page 8 of 48 of the Application, contains Salt River's proposed adjustment to FICA and Medicare taxes. Provide the FICA and Medicare base wage levels and tax rates in effect for calendar year 1993.

9. Salt River has indicated that FICA and Medicare wages include life insurance over \$50,000 and vehicle compensation. Provide the following information concerning this compensation:

a. Using employee numbers, indicate the amount of life insurance coverage provided for employees as of test-year end and the test-year cost of this coverage.

b. Explain how the amount of life insurance provided for each eligible employee is determined.

c. Determine the annual premium for a \$50,000 life insurance policy for each eligible employee.

d. Explain in detail why annual premiums for life insurance values in excess of \$50,000 should be included for rate-making purposes.

e. Submit copies of Salt River's policies concerning life insurance coverage and employee vehicle compensation.

f. Indicate the vehicle compensation rate in effect at the beginning and end of the test year.

10. Exhibit 3, page 11 of 48 of the Application, contains a schedule of employee benefits. For the retirement plan and the 401-K plan, provide the following information:

a. Describe the provisions of each plan. Include the eligibility conditions for each plan.

b. Submit copies of information provided to Salt River's employees concerning the plans.

11. The Financial Accounting Standards Board ("FASB") has issued Opinion No. 106, concerning the accounting for other post-retirement benefits. Provide an explanation concerning whether Salt River has reviewed FASB No. 106 and whether Salt River has determined how FASB No. 106 will apply to its other post-retirement benefits.

12. Exhibit 3, pages 15 and 16 of 48 of the Application, contains a schedule of changes in the reserve for depreciation. For each category of utility plant shown on the schedule, explain in detail the circumstances which resulted in total Net Losses of \$580,829 during the test year.

13. Exhibit 3, page 17 of 48 of the Application, contains Salt River's proposed adjustment to property tax expense. Provide the following information concerning property taxes:

a. A copy of the 1992 Notice of Assessment.

b. A copy of the 1991, 1992, and 1993 tax year assessments (Revenue Cabinet Form K), which reports the value of utility property as of December 31, 1990, December 31, 1991, and December 31, 1992, respectively.

c. A copy of the 1992 Certification of Public Service Company Property Assessment (Revenue Cabinet Form 61A-200J) for each county served by Salt River.

d. A schedule of idle services, by county, as of December 31, 1991 and December 31, 1992. If not available by county, supply the total number of idle services as December 31, 1991 and December 31, 1992.

e. For each taxing district, a copy of the 1992 tax year property tax bills received by Salt River. If the 1992 tax year property tax bills are not available, provide the 1991 tax year property tax bills.

f. A schedule of the booked and assessed values for all motor vehicles for the 1991 tax year.

g. A schedule of the booked and assessed values for all motor vehicles for the 1992 tax year.

h. A schedule of the booked and assessed values for all motor vehicles for the 1993 tax year, if available.

14. Explain in detail how the methodology used by Salt River to compute its proposed property tax adjustment reflects the impacts of changing property tax rates in the various counties served by Salt River.

15. Explain whether Salt River considered calculating its property tax adjustment using the methodology employed by the Kentucky Revenue Cabinet ("Revenue Cabinet"). If this was considered, explain in detail why Salt River chose not to use the Revenue Cabinet's methodology.

16. Exhibit 3, page 23 of 48 of the Application, contains Salt River's proposed adjustment to interest on long-term debt. The schedule shows that Salt River's primary supplemental lender is the National Bank for Cooperatives ("CoBank"). For each CoBank loan shown on page 23 of 48, provide the following information:

a. Identify the interest rate option that was in effect as of test-year end.

b. Identify the interest rate option and the interest rate that was in effect as of March 1, 1993. Indicate when the interest rate is next scheduled to change.

c. Explain in detail what options are available to Salt River to refinance or reprice its CoBank loans. If Salt River considered refinancing or repricing any CoBank loans during the test year, explain in detail the analysis performed. If Salt River had the opportunity during the test year to refinance or reprice any CoBank loans, explain the process, the terms available, and Salt River's decision concerning the opportunity. Include copies of any scenario evaluations.

d. If Salt River has refinanced or repriced any CoBank loans since test-year end, explain in detail the process and terms of the refinancing or repricing.

17. Exhibit 3, page 27 of 48 of the Application, contains Salt River's proposed adjustment to interest expense related to short-term borrowings. Provide a schedule of the short-term borrowings made by Salt River during the test year. The schedule should show the purpose of each short-term borrowing, the terms and conditions of the borrowing, and the outstanding balance of the short-term borrowing as of test-year end.

18. Exhibit 3, page 29 of 48 of the Application, contains Salt River's proposed adjustment to medical benefits. Provide the following information concerning Salt River's medical coverages:

a. Copies of the notice from the National Rural Electric Cooperative Association ("NRECA") which document the cost of the single and family dental and medical plans as of test-year end.

b. Describe the coverage provided under the dental and medical plans.

c. Describe the eligibility requirements an employee must meet to qualify for dental and medical coverage.

d. Indicate whether retirees or directors are included in the number of employees shown in the schedules shown on page 29 of 48. If so, indicate for each month the number of retirees or directors included in the applicable schedule.

19. Provide the full text of the footnote shown at line 43 in Exhibit 3, page 29 of 48.

20. Explain in detail whether employees covered by the dental and medical plans are required to pay part of the cost of their



coverage. If so, indicate the amount required to be paid, using a format similar to that shown on Exhibit 3, page 29 of 48. If no employee payment is required, explain whether this has been considered by Salt River.

21. Exhibit 3, page 30 of 48 of the Application, contains Salt River's proposed adjustment to advertising expense. Salt River has proposed to remove \$1,866 in advertising expenses from Account No. 930.1. However, it is stated on line 54 of Exhibit 22, page 5 of 6, that \$1,765.54 is to be removed from this account. Provide a reconciliation of these two amounts and indicate which is the correct adjustment.

22. Exhibit 3, page 31 of 48 of the Application, contains Salt River's proposed adjustment to directors fees and expenses. Pages 32 through 43 of 48 of Exhibit 3 are detailed computer printouts of the fees and expenses summarized on page 31 of 48. Provide the following information concerning the fees and expenses of Salt River's directors:

a. Indicate how many years each director has served on Salt River's board, and when each term expires.

b. Indicate each director's place of employment and whether health and dental insurance coverage is available at the place of employment.

c. Explain in detail why Salt River pays for dental and medical family plan insurance coverage for its directors.

d. Prepare a schedule listing the time and date of each regular board meeting held during the test year.

e. Prepare a schedule listing the time, date, and purpose for each Special Board meeting held during the test year.

f. Explain in detail why newspaper subscriptions are provided by Salt River for its directors.

g. Explain the purpose for two power plant tours taken by the directors during the test year.

h. Explain the purpose of the Congressional Breakfast and explain why all six directors attended.

i. Explain the purpose of the Region 2 and 3 meetings.

j. Explain why a member of the board is paid a per diem to sign checks.

k. Explain in detail why all six directors attended the NRECA Annual Meeting held in February 1992.

l. Explain in detail why all six directors attended a NRECA Directors Conference in March 1992.

m. Explain why Salt River reimbursed a director for his attendance at three other distribution cooperatives' annual meetings.

23. Provide an analysis of the directors fees and expenses for calendar years 1989 through 1991. For each year, the analysis should show the total amounts paid to or on behalf of each director, using the categories shown on pages 32 through 43 of 48.

24. Exhibit 12 of the Application contains an analysis of changes in balance sheet accounts between the test year and the previous year. For each of the accounts listed below, explain in

detail the reason(s) for the change in the account between the two time periods.

- a. Account No. 366 - Underground Conduit, page 1 of 14.
- b. Account No. 367 - Underground Conduit and Devices, page 1 of 14.
- c. Account No. 371 - Security Lights, page 1 of 14.
- d. Account No. 392 - Transportation, page 2 of 14.
- e. Account No. 107.2 - CWIP - Force Account, page 2 of 14.
- f. Account No. 107.22 - CWIP - Hwy 31, page 2 of 14.
- g. Account No. 108.6 - Reserve - Distribution Plant, page 3 of 14.
- h. Account No. 108.8 - RWIP - Force Account, page 3 of 14.
- i. Account No. 108.91 - Reserve - Office Furniture, page 3 of 14.
- j. Account No. 108.92 - Reserve - Transportation, page 3 of 14.
- k. Account No. 108.97 - Reserve - Communication, page 3 of 14.
- l. Account No. 232.1 - Accounts Payable - General, page 9 of 14.

25. For each of the balance sheet accounts listed below, explain in detail the purpose of the account and the nature of the transactions included in the account.

a. Account No. 123.16 - Patronage Capital - Dish Wish, page 4 of 14.

b. Account No. 143.1 - Accounts Receivable - Comfort Loans, page 5 of 14.

c. Account No. 186.1 - Prepaid Pension Costs, page 7 of 14.

d. Account No. 186.2 - Pension Cost Payable, page 7 of 14.

e. Account No. 224.4 - East Ky. Marketing Loan Program, page 9 of 14.

f. Account No. 253 - Deferred Credits, page 13 of 14.

26. Exhibit 13 of the Application contains an analysis of income and expense account balances for the test year and the previous year. For each of the accounts listed below, explain in detail the reason(s) for the change in the account between the two time periods.

a. Account No. 456 - Other Electric Revenue, page 1 of 7.

b. Account No. 583 - Overhead Line, page 2 of 7.

c. Account No. 586 - Meter, page 2 of 7.

d. Account No. 593 - Overhead Lines, page 2 of 7.

e. Account No. 588 - Miscellaneous Distribution Plan, page 3 of 7.

f. Account No. 902 - Supervision of Consumer Accounts, page 3 of 7.

g. Account No. 904 - Uncollectibles, page 3 of 7.

h. Account No. 912 - Demonstration and Selling, page 4 of 7.

i. Account No. 920 - Administrative and General, page 4 of 7.

j. Account No. 923 - Outside Services, page 4 of 7.

k. Account No. 924 - Property Insurance, page 4 of 7.

l. Account No. 926 - Employee Pension and Benefits, page 4 of 7.

m. Account No. 403.6 - Distribution Depreciation, page 5 of 7.

n. Account No. 408.1 - Property Taxes, page 5 of 7.

o. Account No. 427.3 - Interest CoBank, page 6 of 7.

p. Account No. 431 - Interest - Other, page 6 of 7.

q. Account No. 419 - Interest Income, page 6 of 7.

r. Account No. 415 - Revenue from Merchandising, page 6 of 7.

s. Account No. 416 - Expenses of Merchandising, page 6 of 7.

t. Account No. 424.1 - Patronage Capital - CoBank, page 7 of 7.

27. Provide a copy of the 1992 Audit Report for Salt River's consolidated financial statements.

28. Exhibit 16 of the Application contains a description of the compensation paid for professional services by Salt River. Provide the following information concerning professional services:

a. Explain in detail how Salt River selected the providers of its legal, engineering, and accounting services.

b. Indicate when Salt River retained its current providers of legal, engineering, and accounting services. Also indicate how frequently the use of these providers is reviewed.

c. If competitive bidding procedures were used to secure these professional services, indicate when the last competitive bidding was performed. Include a listing of all bidders and the bid amounts submitted. If the successful bidder was not the lowest bidder, explain why the successful bidder was chosen.

29. Concerning the accounting services listed in Exhibit 16, page 6 of 96, indicate whether these individual expenditures are of a recurring or non-recurring nature. If Salt River believes the expenses are of a recurring nature, explain in detail the reasons which support the determination.

30. Concerning the engineering services listed in Exhibit 16, page 6 of 96, explain why the retainer paid from February 1992 through July 1992 was half of the amount paid during the remainder of the test year. Also, include a copy of the contract, memorandum of agreement, or other documentation which defines the services and compensation related to the provision of engineering services.

31. Concerning the legal services listed in Exhibit 16, page 5 of 96, for each transaction or group of transactions listed below, provide the test-year level of expense, a general description of the activity, and explain whether the transaction

represents a recurring or non-recurring expense. If the transaction is considered to be recurring, include the reasons which support this determination.

- a. Bruce Harned, Et. Al. versus Salt River, 86-0084.
- b. Salt River versus City of Bardstown, 91-0073.
- c. Salt River versus LG&E, 91-0168.
- d. Revisions to Articles of Incorporation.
- e. Proposal on Retirement of Capital Credits.
- f. Hardscrabble Farms.
- g. Transfer of Employee and Breach of Contract, page 60

of 96.

32. Exhibit 17, pages 2 through 4 of 4 of the Application, contains the board policy concerning the compensation and expenses of directors of Salt River. Section II, part C, states that each director will be furnished with a company credit card. Provide the following information concerning the use of company credit cards:

- a. Indicate how many company credit cards have been issued to Salt River's directors and employees.

- b. Supply a copy of Salt River's policies concerning the use of company credit cards. Explain in detail the controls exercised over the use of these credit cards.

- c. Prepare a schedule, by month, showing the credit card activity. The schedule should list the individual assigned a credit card, the amount of charges made on that card, a description of the charges, the Uniform System of Accounts ("USoA") account

number debited or credited, and the amount of any reimbursements received.

33. Exhibit 17, page 4 of 4 of the Application, includes the policy statement that the Treasurer of Salt River will be paid an additional meeting fee of \$125 per month for time involved in carrying out official duties, plus mileage. Explain in detail why this compensation is considered to be necessary. Also, explain in detail why such an expense should be included for rate-making purposes.

34. Exhibit 20 of the Application contains a listing of Salt River's test-year capitalization policies. Provide a clarification of the narrative contained on lines 40 through 43 of this exhibit.

35. Exhibit 21 of the Application contains Salt River's financial management plan, with the current equity management plan at Section II, part G. Provide the following information concerning the equity management plan:

a. Explain how the rate of growth in rate base and the TIER objective were determined.

b. Indicate the rotation cycle Salt River is following for the general retirement of capital credits and explain how the rotation cycle was determined.

c. Indicate the last year of capital credits included in Salt River's most recent general retirement of capital credits.

d. Explain in detail how the payment of deceased members' capital credits was handled prior to the adoption of the plan on April 2, 1992.



e. Explain in detail why Salt River has decided to discount the capital credits paid to deceased members' estates. Include any studies, surveys, or other analysis relied on in developing this policy.

f. Explain why the approach used by Salt River to discount capital credits is not based on the years contained in a normal rotation cycle rather than the years from the last general retirement.

g. Supply any information available on other cooperatives which are currently using the discounting method employed by Salt River. Include the name of the cooperative, the state in which the cooperative operates, the name and telephone number of a contact person, and any written documentation describing the capital credit payment provisions of these cooperatives.

36. Concerning the payment of deceased members' capital credits, provide the following information:

a. For each month of the test year, indicate the number of deceased members' estates and the dollar amount paid.

b. For each month of the test year after the April 2, 1992 adoption of the financial management plan, indicate the amount paid to deceased members' estates and the amount recorded on Salt River's books as donated capital.

c. Calculate the amount of capital credits which would be paid to a deceased member's estate with the following hypothetical conditions:

(1) Member joined Salt River on January 1, 1989.

(2) Member passes away on July 1, 1992, and a properly prepared application is submitted to Salt River requesting the payment of the capital credits.

(3) The capital credits assigned to the member were as follows: 1989 - \$55; 1990 - \$60; 1991 - \$40.

37. Exhibit 22 of the Application contains a listing of advertising transactions for the test year. For each of the listed transactions, provide an example of the advertisement covered by the transaction. In the case of radio spots, provide a copy of the text of the advertisement.

a. Account No. 909 - Check No. 9296 - National Safety Council - Farm safety brochures.

b. Account No. 909 & 913 - Check No. 9409 - Ky Standard - Electrical safety.

c. Account No. 909 & 913 - Check No. 9413 - Pioneer News - Rental display.

d. Account No. 913 - Check No. 9594 - Salt River Arcadi - Ads.

e. Account No. 913 - Check No. 9743 - Ky Standard - Ads.

f. Account No. 913 - Check No. 11277 - Design services brochures.

g. Account No. 913 - Check No. 10788 - Ky Standard - Publications.

h. Account No. 930.1 - Check No. 9418 - WBRT - School electricity program.

i. Account No. 930.1 - Check No. 9589 - WBRT - Ad for meter-reading.

j. Account No. 930.1 - Check No. 9916 - Ky Standard - Ad for meter-reading.

k. Account No. 930.1 - Check No. 10098 - Ky Standard - Electricity program.

38. Exhibit 22, page 3 of 6 of the Application, contains references to cash receipts related to Electric Thermal Storage ("ETS") sales. Provide the following information concerning Salt River's sales of ETS units:

a. Describe the accounting entries made to record the purchase and sale of ETS units. Include the USoA account numbers with the description.

b. Explain in detail why cash receipts are recorded in Account No. 913, which is an expense account.

c. The identified receipt transactions all indicate the receipts are from East Kentucky. Explain East Kentucky's involvement with ETS sales at Salt River.

d. Supply copies of any cost/benefit analysis performed by Salt River or any other party reflecting the benefit of the ETS program to the cooperative.

39. Exhibit 23 of the Application contains a schedule of test-year expenses recorded in Account No. 930. For each of the items listed below, explain in detail the purpose of the item,

whether Salt River believes the item represents a recurring expense, and why the expense should be included for rate-making purposes.

a. Ref. 19909294, 19909297 & 19909416 - Employee Christmas party.

b. Ref. 19909301 - Membership surveys from NRECA.

c. Ref. 86109398, 86109863 & 86110303 - Candy purchases.

d. Ref. 19909564 - Poster subscription from Clement Communications.

e. Ref. 19909838 - Entry Fee for Council of Rural Electric Communicators.

f. Ref. 19909927, 19910952, 19911052, 1991056, 19910955, 19911092, 19912033, 19912275, 19912131 & 19913117 - Tuition reimbursements for classes/seminars at Spalding College and the University of Louisville.

g. Ref. 86109787 & 19913237 - Compensation survey from NRECA.

h. Ref. 19911085 - Secretary Day 1992.

i. Ref. 86110288, 19911278, 19912307 & 86111216 - Subscriptions for Tech Folio, Employee Relations, Health Lines, and Rural Electrification.

j. Ref. 19911124 & 19911379 - Employee Picnic.

k. Ref. 86110523 - Dues to the National Rural Economic Developers Association.

l. Ref. 86110686 - Decals.

m. Ref. 19912032 - NIE Program.  
n. Ref. 19912135 - Member tour of power plant.  
o. Ref. 86110922 & 86110906 - Flowers and Flags.  
p. Ref. 86111062 - Dues to Utilities Communication.  
q. Ref. 19912750 - Contribution to St. Catherine College.

r. Ref. 86111117 & 86111214 - Caps.

40. Prepare a schedule listing all expenses associated with the Annual Meeting, recorded during the test year. The expenses may be grouped into similar or related categories. For each expense or group of expenses, describe the nature of the expense.

41. Exhibit 24 of the Application contains the actual rate case costs incurred by Salt River for December 1992. Salt River also indicated that it would provide monthly updates of its actual rate case costs incurred. Salt River was instructed in Item 26 of the January 21, 1993 Order to include copies of invoices received from vendors for these costs. The expense included in Exhibit 24 was not accompanied by any documentation or invoices. Provide the documentation originally requested in Item 26. In future updates, Salt River should provide the information on rate case costs originally requested in Item 26, by the 20th of the month following the reporting month.

42. Indicate whether Salt River has established any branch offices. If branch offices have been established, provide the following information for each office:

a. The location of the office.

b. The date the office was established.

c. The number of employees staffing the office.

d. Indicate whether the office site is owned by Salt River or leased. If leased, include the terms and conditions of the lease.

e. The cost to operate the branch office incurred during the test year.

f. Submit copies of any cost/benefit or other analysis performed indicating the need for the branch office. If no formal analysis was performed, explain in detail how the need for the office was determined.

43. As noted in Exhibit 14 of the Application, Salt River has a wholly owned subsidiary, the Salt River Service Corporation ("Service Corporation"). In Administrative Case No. 326,<sup>1</sup> the Service Corporation was identified as Salt River's subsidiary involved with the distribution and sale of satellite-delivered television programming services ("satellite-TV"). In Administrative Case No. 326, the Commission established guidelines addressing regulatory concerns, protection of utility resources, access to subsidiary books and records, and reporting requirements.<sup>2</sup> As part of the reporting requirements, when filing a general rate case, cooperatives were required to provide updates

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<sup>1</sup> Administrative Case No. 326, An Investigation Into the Diversification of Rural Electric Cooperative Corporations Into the Satellite-Delivered Television Programming Services, final Order dated March 18, 1991.

<sup>2</sup> Id., Appendix A.

on any contract or agreement relating to satellite-TV involvement in force during the test year. In addition, the cooperatives were to provide explanations supporting the use of the cost allocation methodologies implemented to ensure the proper assignment of common joint costs. These explanations were to include any documentation which supported the use of the particular allocation methodology. Provide the information concerning the Service Corporation as outlined in the guidelines issued in Administrative Case No. 326.

44. Concerning the Service Corporation, provide the following information:

a. Indicate the amount of investment Salt River has made in the Service Corporation, both during the test year and since the Service Corporation's inception.

b. Identify the source of all funds used to support the investment in the Service Corporation.

c. Indicate the amount of any loans, outstanding as of test-year end, made by Salt River to the Service Corporation. Include a schedule of these loans, showing the principle amount outstanding, the date of maturity of the loans, the interest rate, and the annual installments or principle and interest payments.

d. Describe any other financial assistance Salt River has provided to the Service Corporation, both during the test year and since the Service Corporation's inception.

e. Submit a detailed schedule containing each transaction recorded in Account No. 146, Accounts Receivable from Associated Companies, and Account No. 234, Accounts Payable to

Associated Companies during the test year. The schedule should include, but not be limited to, the date of the transaction, a document reference, the amount, and a description of the transaction.

f. Submit a detailed schedule containing any other transactions between Salt River and the Service Corporation not included in the schedule requested in part (d) above. The detail shall be the same as was requested in part (d).

g. Submit copies of all policies and procedures in effect at Salt River during the test year dealing with the treatment of cost allocations and asset transfers between Salt River and the Service Corporation.

h. Prepare a schedule identifying each director, manager, or employee of Salt River who performs some service or holds a position with the Service Corporation. Identify the service or position held with the Service Corporation and provide the compensation received by each individual from the Service Corporation during the test year.

i. Prepare a schedule showing the time and date of the board of directors regular meetings.

j. Submit copies of the minutes of the board of directors regular meetings for both Salt River and the Service Corporation, held during the test year.

45. Reference Application Exhibit 4. Upon reviewing this Exhibit, it was noted that Salt River proposes to move some schedules to a flat rate while others remain at a multi-step rate.



For each rate schedule, explain why it is proposed to move to a flat rate or remain at a multi-step rate. Why were all rates not changed to a flat rate?

46. Reference Application Exhibit 3, page 47. Explain why Salt River's total sales figure of \$516,799 differs from the sum of the sales figures on the monthly FAC reports during the period December 1991 to November 1992. Show any calculations needed to reconcile these figures.

47. Reference Application Exhibit 5. Provide an analysis showing for each rate schedule the total KWH in each rate block as per the existing tariff and compute the current revenue for each block.

48. Reference Response of February 18, 1993 to Commission Order dated January 21, 1993, Item 15, page 10. What are the reasons for taking out the temporary service section? Are there any customers currently receiving temporary service?

49. Reference Response of February 18, 1993 to Commission Order dated January 21, 1993, Item 15, pages 13-16. For Schedule OL, what are the reasons it was rewritten? Are there any customers currently on Schedule OL who will be affected by these changes?

50. For each month of the test year provide a copy of the power bills received from East Kentucky.

51. Reference Application Exhibit 3, page 45. For the proposed increase in revenues of \$12,737, provide all supporting calculations used to compute this amount.

52. Reference Application Exhibit 3, page 48. What caused excess contract demand to be reduced by \$33,055? Include all calculations and workpapers.

53. Reference response of February 18, 1993 to Commission Order dated January 21, 1993, Item 15, page 17. Under the section Conditions of Service, a proposed change in language adds "at cost to the customer." How are charges currently being collected? Why did Salt River feel there was a need to add this language to the tariff?

The following questions concern the cost-of-service study, Exhibit 26, and the testimony of Mr. Stansberry, Exhibit 29.

54. Provide a copy of the users manual for the cost-of-service study program which you have employed for this case.

55. For footnote A on Schedule A, Exhibit 26, explain the derivation of the percentages used to allocate the categories: land and land rights, structures and improvements, and office furniture and equipment.

56. On lines 8 and 9 of Schedule A, Exhibit 26,

a. Explain why line 8 is allocated solely to outdoor lighting.

b. Explain why lines 8 and 9 should not be combined.

57. Salt River seems to be using some variation of the minimum size methodologies as outlined in NARUC's Electric Utility Cost Allocation Manual in footnotes c, d and e on page 6 of 12 in Exhibit 26. Provide an explanation, as well as the xeroxed pages and citations documenting the usage of the minimum mile, minimum

investment and the Y-Intercept methodologies from a generally accepted industry or regulatory (NARUC) source.

58. Concerning footnote c on page 6 of 12 in Exhibit 26, explain why fifteen 35' poles and 2 miles of cable were used to calculate the cost of the minimum mile for primary lines.

59. Refer to the Y-Intercept method in footnote d on page 6 of 12 of Exhibit 26 and Exhibit 29, testimony Exhibit 3.

a. Why did Salt River change from a minimum size type methodology to a regression based methodology for this particular category? How do the results change if you use a minimum size type methodology? Explain.

b. Is this methodology the same as the zero-intercept methodology? Explain.

c. Does the CONV column on page 1 and the CSP column on page 2 of Exhibit 29, testimony Exhibit 3 represent the average installed book cost of each size transformer? If not, then explain what the respective columns represent.

d. According to NARUC's Electric Utility Cost Allocation Manual, section 4 on page 94, the zero-intercept of transformer cost should be determined by using the cost per transformer by type, weighted by the number for each category. Your procedure, as illustrated in Exhibit 29, testimony Exhibit 3, does not seem to have accounted for the number of units in the regression analysis. Explain.

e. The NARUC manual in section 4 on page 94 also says that only single-phase transformers up to and including 50 KVA

should be used in developing the customer component. Explain why the 75 and 100 size CONV transformers are used in Exhibit 29, testimony Exhibit 3, page 1 of 2.

f. Explain the derivation of the cost per unit figure given in footnote d, page 6 of 12, Exhibit 26.

60. Concerning footnote e on page 6 of 12 of Exhibit 26:

a. Explain how 3 strands of 130 feet #8wp conductor were determined to be the minimum necessary for a service drop.

b. Explain why 130 feet of service conductor is necessary for a service drop.

61. Explain the derivation of the last two columns in the table in footnote a, the purchased power allocator and the purchased power energy allocator, on page 8 of 12 of Exhibit 26.

62. Referring to page 9 of 12 in Exhibit 26 and Exhibit 29, testimony Exhibit 3:

a. Explain the differences between CSP and CONV transformers.

b. Explain why the more expensive CSP transformers are used for the A-5 and B-2 rate classes, and the less expensive CONV transformers are used for the LLP-1 and LLP-2 & LLP-3 rate classes.

63. Explain why the number of service units listed in footnote e on page 6 of 12 of Exhibit 26 is different from the total number of consumers in footnote on page 9 of 12 of Exhibit 26.

64. Provide a detailed discussion concerning the derivation and use of the load research data on page 12 of 12 of Exhibit 26.

Be sure to include specific references back to the cost-of-service study.

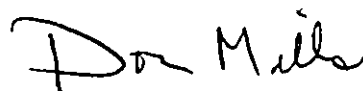
65. Concerning question and answer 14 on page 5 of Exhibit 29, provide xerox copies and documentation justifying the division of demand related costs into distribution and purchased power categories.

Done at Frankfort, Kentucky, this 24th day of March, 1993.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:



Executive Director